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## **CHAPTER 10:** Financial Analysis

## CHAPTER 10: FINANCIAL ANALYSIS

The previous chapters of this Plan identify problems with the transportation system and recommended appropriate corrective measures. This chapter focuses on the financial mechanisms that are traditionally used to finance transportation improvements. Transportation improvements can be implemented using federal, state, local and private funding sources. Historically federal and state funding programs have been used almost exclusively to construct and upgrade the major roads in the greater Whitefish area. Considering the current funding limits of these traditional programs, and the anticipated road development needs of the community, it is apparent that a greater amount of the financing will be required from local and private sources if these needs are to be met.

Much of the following information concerning the federal and state funding programs was assembled with the assistance of the Statewide and Urban Planning Section of the Montana Department of Transportation (MDT). The intent is to identify the traditional federal, state and local sources of funds available for funding transportation related projects and programs in the Whitefish area. A narrative description of each potential funding source is provided including: the source of revenue; required match; purpose for which funds are intended; means by which the funds are distributed; and the agency or jurisdiction responsible for establishing priorities for the use of the funds.

### 10.1 FUNDING SOURCES

The following list includes federal and state funding sources developed for the distribution of Federal and State transportation funding. This includes Federal funds the State receives under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)-enacted on August 10, 2005. The list also includes local funding sources available through the city and county, as well as private sources. It should be understood that other funding sources are possible, but those listed below reflect the most probable sources at this time. A narrative description of each source is provided in the following sections of this chapter.

#### Federal Funding Sources

- National Highway System (NHS)
- Surface Transportation Program (STP)
  - *Primary Highway System (STPP)\**
  - *Secondary Highway System (STPS)\**
  - *Urban Highway System (STPU)\**
  - *Community Transportation Enhancement Program (CTEP)\**
- Highway Safety Improvement Program (HSIP)
  - *High Risk Rural Roads Program (HRRR)*
- Highway – Railway Crossing Program (RRX)

- Highway Bridge Replacement and Rehabilitation Program (HBRRP)
  - *On-System Bridge Replacement and Rehabilitation Program*
  - *Off-System Bridge Replacement and Rehabilitation Program*
- Coordinated Border Infrastructure Program (CBI)
- Congestion Mitigation & Air Quality Improvement Program (CMAQ)
  - *CMAQ (formula)*
  - *Montana Air & Congestion Initiative (MACI)–Guaranteed Program (flexible)\**
  - *Montana Air & Congestion Initiative (MACI)–Discretionary Program (flexible)\**
  - *Urban High Growth Adjustment (flexible)\**
- Urban Highway Preservation (UHP) (Equity Bonus)\*
- Safe Routes To School (SRTS)
- Federal Lands Highway Program (FLHP)
  - *Public Lands Highways (PLH)*
  - *Parkways and Park Roads*
  - *Indian Reservation Roads (IRR)*
  - *Refuge Roads*
- Congressionally Directed Funds
  - *High Priority Projects (HPP)*
  - *Transportation Improvements Projects*
- Transit Capital & Operating Assistance Funding
  - *Discretionary Grants (Section 5309)*
  - *Capital Assistance for the Elderly and Persons with Disabilities (Section 5310)*
  - *Financial Assistance for Rural General Public Providers (Section 5311)*
  - *New Freedoms Program (5317)*
  - *Job Access Reverse Commute (JARC) (5316)*

### **State Funding Sources**

- State Funded Construction (SFC)
- TransADE

### **Local Funding Sources**

- City Funds
- County Road Funds
- Private Funds
- Future Potential Funds

## 10.2 FEDERAL AID FUNDING PROGRAMS

The following summary of major Federal transportation funding categories received by the State through the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)-enacted on August 10, 2005, includes state developed implementation/sub-programs. In order to receive project funding under these programs, projects must be included in the State Transportation Improvement Program (STIP).

### ○ National Highway System (NHS)

The purpose of the National Highway System (NHS) is to provide an interconnected system of principal arterial routes which will serve major population centers, international border crossings, intermodal transportation facilities and other major travel destinations; meet national defense requirements; and serve interstate and interregional travel. The National Highway System includes all Interstate routes, a large percentage of urban and rural principal arterials, the defense strategic highway network, and strategic highway connectors.

#### Allocations and Matching Requirements

NHS funds are Federally apportioned to Montana and allocated based on system performance by the Montana Transportation Commission. The Federal share for NHS projects is 86.58% and the State is responsible for the remaining 13.42%. The State share is funded through the Highway State Special Revenue Account.

#### Eligibility and Planning Considerations

Activities eligible for the National Highway System funding include construction, reconstruction, resurfacing, restoration, and rehabilitation of segments of the NHS. Operational improvements as well as highway safety improvements are also eligible. Other miscellaneous activities that may qualify for NHS funding include research, planning, carpool projects, bikeways, and pedestrian walkways. The Transportation Commission establishes priorities for the use of National Highway System funds and projects are let through a competitive bidding process. US Highway 93 and MT Highway 40 are on the National Highway System.

### ○ Surface Transportation Program (STP)

Surface Transportation Program (STP) funds are Federally apportioned to Montana and allocated by the Montana Transportation Commission to various programs including the Surface Transportation Program Primary Highways (STPP), Surface Transportation Program Secondary Highways (STPS), and the Surface Transportation Program Urban Highways (STPU).

#### ● *Primary Highway System (STPP)\**

The Federal and State funds available under this program are used to finance transportation projects on the state-designated Primary Highway System. The Primary Highway System includes highways that have been functionally classified by the MDT as either principal or minor arterials and that have been selected by the

Transportation Commission to be placed on the Primary Highway System [MCA 60-2-125(3)].

*Allocations and Matching Requirements*

Primary funds are distributed statewide [MCA 60-3-205] to each of five financial districts, including the Missoula District. The Commission distributes STPP funding based on system performance. Of the total received, 86.58% is Federal and 13.42% is State funds from the Highway State Special Revenue Account.

*Eligibility and Planning Considerations*

Eligible activities include construction, reconstruction, rehabilitation, resurfacing, restoration and operational improvements. The Transportation Commission establishes priorities for the use of Primary funds and projects are let through a competitive bidding process. There are no Primary Highways within the Whitefish Transportation Plan boundary.

- *Secondary Highway System (STPS)\**

The Federal and State funds available under this program are used to finance transportation projects on the state-designated Secondary Highway System. The Secondary Highway System highways that have been functionally classified by the MDT as either rural minor arterials or rural major collectors and that have been selected by the Montana Transportation Commission in cooperation with the boards of county commissioners, to be placed on the secondary highway system [MCA 60-2-125(4)].

*Allocations and Matching Requirements*

Secondary funds are distributed statewide (MCA 60-3-206) to each of five financial districts, including the Missoula District, based on a formula, which takes into account the land area, population, road mileage and bridge square footage. Federal funds for secondary highways must be matched by non-federal funds. Of the total received 86.58% is Federal and 13.42 % is non-federal match. Normally, the match on these funds is from the Highway State Special Revenue Account.

*Eligibility and Planning Considerations*

Eligible activities for the use of Secondary funds fall under three major types of improvements: Reconstruction, Rehabilitation, and Pavement Preservation. The Reconstruction and Rehabilitation categories are allocated a minimum of 65% of the program funds with the remaining 35% dedicated to Pavement Preservation. Secondary funds can also be used for any project that is eligible for STP under Title 23, U.S.C.

MDT and county commissions determine Secondary capital construction priorities for each district with final project approval by the Transportation Commission. By state law the individual counties in a district and the state vote on Secondary funding priorities presented to the Commission. The Counties and MDT take the input from citizens, small cities, and tribal governments during the annual priorities process.

Projects are let through a competitive bidding process. Secondary highways around the Whitefish area include S-292 (Whitefish Stage Road), and S-487 (Big Mountain Road).

- *Urban Highway System (STPU)\**

The Federal and State funds available under this program are used to finance transportation projects on the state-designated Urban Highway System. The Urban Highway System is described under MCA 60-2-125(6), as those highways and streets that are in and near incorporated cities with populations of over 5,000 and within urban boundaries established by the MDT, that have been functionally classified as either urban arterials or collectors, and that have been selected by the Montana Transportation Commission, in cooperation with local government authorities, to be placed on the Urban Highway System.

*Allocations and Matching Requirements*

State law [MCA 60-3-211] guides the allocation of Urban funds to projects on the Urban Highway System in the fifteen urban areas through a statutory formula based on each area's population compared to the total population in all urban areas. Of the total received, 86.58% is Federal and 13.42% is non-federal match typically provided from the Special State Revenue Account for highway projects.

*Eligibility and Planning Considerations*

Urban funds are used primarily for major street construction, reconstruction, and traffic operation projects on the 390 miles on the State-designated Urban Highway System, but can also be used for any project that is eligible for STP under Title 23, U.S. C. Priorities for the use of Urban funds are established at the local level through local planning processes with final approval by the Transportation Commission.

Because the Urban Highway System includes transportation infrastructure that crosses the line between incorporated and unincorporated areas, it is important that city and county governments work together to identify and address urban highway needs. Consideration of cooperative efforts between city and county governments to address urban highways (roads and bridges) should be incorporated into the planning and implementation of the county CIP as appropriate.

Whitefish's FFY 2007 urban funding balance is currently \$773,006. The annual allocation of urban funds for Whitefish is \$117,074 (total dollars, Federal plus State match). We assume this allocation will remain constant through the life of the plan. It is anticipated the City of Whitefish will have a positive Urban funding balance and be able to program a new project in 2013. Baker Ave, Wisconsin Ave, East Lakeshore Drive, and Big Mountain Road (within the urban limits of Whitefish) are on the Urban Highway System.

- *Community Transportation Enhancement Program (CTEP)\**

Federal law requires that at least 10% of STP funds must be spent on transportation enhancement projects. The Montana Transportation Commission created the Community Transportation Enhancement Program in cooperation with the Montana Association of Counties (MACO) and the League of Cities and Towns to comply with this Federal requirement.

*Allocations and Matching Requirements*

CTEP is a unique program that distributes funding to local and tribal governments based on a population formula and provides project selection authority to local and tribal governments. The Transportation Commission provides final approval to CTEP projects within the State's right-of-way. The Federal share for CTEP projects is 86.58% and the Local and tribal governments are responsible for the remaining 13.42%.

*Eligibility and Planning Considerations*

Eligible CTEP categories include:

- Pedestrian and bicycle facilities
- Historic preservation
- Acquisition of scenic easements and historic or scenic sites
- Archeological planning and research
- Mitigation of water pollution due to highway runoff or reduce vehicle-caused
- Wildlife mortality while maintaining habitat connectivity
- Scenic or historic highway programs including provisions of tourist and welcome center facilities
- Landscaping and other scenic beautification
- Preservation of abandoned railway corridors (including the conversion and use for bicycle or pedestrian trails)
- Control and removal of outdoor advertising
- Establishment of transportation museums
- Provisions of safety and educational activities for pedestrians and bicyclists

Projects addressing these categories and that are linked to the transportation system by proximity, function or impact, and where required, meet the "historic" criteria, may be eligible for enhancement funding.

Projects must be submitted to the local government to the MDT, even when the project has been developed by another organization or interest group. Project proposals must include evidence of public involvement in the identification and ranking of enhancement projects. Local governments are encouraged to use their planning boards, where they exist, for the facilitation of public participation or a special enhancement committee. The MDT staff reviews each project proposal for



completeness and eligibility and submits them to the Transportation Commission and the federal Highway Administration for approval.

The City of Whitefish has a current balance of \$209,212 and the estimated 2008 allocation is \$23,759 (Federal). Flathead County is allocated approximately \$243,494 annually (Federal). There is currently a balance of \$520,162 for this program. The balances represent funds not obligated towards a selected project.

\*State funding programs developed to distribute Federal funding within Montana

- **Highway Safety Improvement Program (HSIP)**

Allocations and Matching Requirements

HSIP is a new core funding program established by SAFETEA-LU. HSIP funds are Federally apportioned to Montana and allocated to safety improvement projects identified in the strategic highway safety improvement plan by the Commission. Projects described in the State strategic highway safety plan must correct or improve a hazardous road location or feature, or address a highway safety problem. The Commission approves and awards the projects which are let through a competitive bidding process. Generally, the Federal share for the HSIP projects is 91.24% and the State is responsible for 8.76%.

Eligibility and Planning Considerations

There are two set aside programs that receive HSIP funding: the Highway – Railway Crossing Program and the High Risk Rural Roads Program.

- **High Risk Rural Roads Program (HRRR)**

Funds are set aside from the Highway Safety Improvement Program funds apportioned to Montana for construction and operational improvements on high-risk rural roads. These funds are allocated to HRRRP projects by the Commission. If Montana certifies that it has met all of the needs on high risk rural roads, these set aside funds may be used on any safety improvement project under the HSIP. Montana's set aside requirement for HRRRP is approximately \$700,000 per year.

- **Highway – Railway Crossing Program (RRX)**

Funds are Federally apportioned to Montana and allocated by the Commission for projects that will reduce the number of fatalities and injuries at public highway-rail grade crossings; through the elimination of hazards and/or the installation/upgrade of protective devices.

- **Highway Bridge Replacement and Rehabilitation Program (HBRRP)**

Allocations and Matching Requirements

HBRRP funds are Federally apportioned to Montana and allocated to two programs by the Montana Transportation Commission. In general, projects are funded with 86.58% Federal and the State is responsible for the remaining 13.42%. The State share is funded through the Highway State Special Revenue Account. The Montana Transportation Commission approves projects which are then let to contract through a competitive bidding process.



- *On-System Bridge Replacement and Rehabilitation Program*

The On-System Bridge Program receives 65% percent of the Federal HBRRP funds. Projects eligible for funding under the On-System Bridge Program include all highway bridges on the State system. The bridges are eligible for rehabilitation or replacement. In addition, painting and seismic retrofitting are also eligible under this program. MDT's Bridge Bureau assigns a priority for replacement or rehabilitation of structurally deficient and functionally obsolete structures based upon sufficiency ratings assigned to each bridge. A structurally deficient bridge is eligible for rehabilitating or replacement; a functionally obsolete bridge is eligible only for rehabilitation; and a bridge rated as sufficient is not eligible for funding under this program.

- *Off-System Bridge Replacement and Rehabilitation Program*

The Off-System Bridge Program receives 35% percent of the Federal HBRRP funds. Projects eligible for funding under the Off-System Bridge Program include all highway bridges not on the State system. Procedures for selecting bridges for inclusion into this program are based on a ranking system that weighs various elements of a structures condition and considers local priorities. MDT Bridge Bureau personnel conduct a field inventory of off-system bridges on a two-year cycle. The field inventory provides information used to calculate the Sufficiency Rating (SR).

- **Coordinated Border Infrastructure Program (CBI)**

CBI funds are Federally apportioned to Montana and allocated by the Commission based on system performance and project eligibilities. These funds may be used on projects within 100 miles of the international border to improve transportation, safety, regulation, or improved planning/coordination to streamline international motor vehicle and cargo movements. The Montana Transportation Commission approves projects which are then let to contract through a competitive bidding process. The Federal share is 86.58% and the State is responsible for 13.42%.

- **Congestion Mitigation & Air Quality Improvement Program (CMAQ)**

Federal funds available under this program are used to finance transportation projects and programs to help improve air quality and meet the requirements of the Clean Air Act. Montana's air pollution problems are attributed to carbon monoxide (CO) and particulate matter (PM10 and PM2.5).

*Allocations and Matching Requirements*

CMAQ funds are Federally apportioned to Montana and allocated to various eligible programs by formula and by the Commission. As a minimum apportionment state a Federally required distribution of CMAQ funds goes to projects in Missoula since it is Montana's only designated and classified air quality non-attainment area. The remaining, non-formula funds, referred to as "flexible CMAQ" is directed to areas of the state with

emerging air quality issues through various state programs. The Transportation Commission approves and awards both formula and non-formula projects on MDT right-of-way. Infrastructure and capital equipment projects are let through a competitive bidding process. Of the total funding received, 86.58% is Federal and 13.42% is non-federal match provided by the state for projects on state highways and local governments for local projects.

#### Eligibility and Planning Considerations

In general, eligible activities include transit improvements, traffic signal synchronization, bicycle pedestrian projects, intersection improvements, travel demand management strategies, traffic flow improvements, and public fleet conversions to cleaner fuels. At the project level, the use of CMAQ funds is not constrained to a particular system (i.e. Primary, Urban, and NHS). A requirement for the use of these funds is the estimation of the reduction in pollutants resulting from implementing the program/project. These estimates are reported yearly to FHWA.

- *CMAQ (formula)*

Mandatory CMAQ funds that come to Montana based on a Federal formula and are directed to Missoula, Montana's only classified, moderate CO non-attainment area. Not applicable to Whitefish.

- *Montana Air & Congestion Initiative (MACI)–Guaranteed Program (flexible)\**

This is state program funded with flexible CMAQ funds that the Commission allocates annually to Billings and Great Falls to address carbon monoxide issues in these designated, but “not classified”, CO non-attainment areas. The air quality in these cities is roughly equivalent to Missoula, however, since these cities are “not classified” so they do not get direct funding through the Federal formula. Not applicable to Whitefish.

- *Montana Air & Congestion Initiative (MACI)–Discretionary Program (flexible)\**

The MACI – Discretionary Program provides funding for projects in areas designated non-attainment or recognized as being “high-risk” for becoming non-attainment. Since 1998, MDT has used MACI-Discretionary funds to get ahead of the curve for CO and PM10 problems in non-attainment and high-risk communities across Montana. District Administrators and local governments nominate projects cooperatively. Projects are prioritized and selected based on air quality benefits and other factors. The most beneficial projects to address these pollutants have been sweepers and flushers, intersection improvements and signal synchronization projects. The City of Whitefish is designated as a PM-10 non-attainment area.

- *Urban High Growth Adjustment (flexible)\**

Urban High Growth Adjustment funds are distributed to urban areas in Montana where population increased by more than 15% between the 1990 and 2000 censuses. These funds are available thru 2011. Kalispell, Bozeman, and Missoula are the areas

currently eligible for funding through this source. The intent of this funding is to address backlogged needs in these very rapidly growing cities. Nominations for the use of these funds are established at the local level similar to STPU funds. These funds may be spent on the Urban Highway System for projects eligible for either STPU or CMAQ funds.

\*State funding programs developed to distribute Federal funding within Montana

- **Urban Pavement Preservation (UPP) (Equity Bonus)\***

The Urban Pavement Preservation Program is a state program that addresses urban highway system preservation needs. The program is funded from federal Equity Bonus funds that are appropriated to each State to ensure that each State receives a specific share of the aggregate funding for major highway programs. The program funds cost-effective treatments for the preservation of the existing Urban Highway System to prevent deterioration while maintaining or improving the functional condition of the system without increasing structural capacity.

*Allocations and Matching Requirements*

The Transportation Commission determines the annual funding level for this program for preservation projects in the fifteen urban areas. Projects are funded with 86.58% Federal and the State is responsible for the remaining 13.42%. The State share is funded through the Highway State Special Revenue Account. The Montana Transportation Commission approves projects which are then let to contract through a competitive bidding process.

*Eligibility and Planning Considerations*

Activities eligible for this funding include pavement preservation treatments on the Urban Highway System based on needs identified through a locally developed and maintained pavement management system. Priorities are developed by MDT Districts based on the local pavement management system outputs and consideration of local government nominations with final approval by the Transportation Commission. Projects are let through a competitive bidding process.

\*State funding programs developed to distribute Federal funding within Montana

- **Safe Routes To School (SRTS)**

*Allocations and Matching Requirements*

Safe Routes To School funds are Federally apportioned to Montana for programs to develop and promote a safe environment that will encourage children to walk and bicycle to school. Montana is a minimum apportionment state, and will receive \$1-million per year, subject to the obligation limitation. The Federal share of this program is 100%.

*Eligibility and Planning Considerations*

Eligible activities for the use of SRTS funds fall under two major categories with 70% directed to infrastructure improvements, and the remaining 30% for behavioral (education) programs. Funding may be used within a two mile radius of K-8 schools for improvements or programs that make it safer for kids to walk or bike to school. SRTS is a reimbursable

grant program and project selection is done through an annual application process. Eligible applicants for infrastructure improvements include local governments and school districts. Eligible applicants for behavioral programs include state, local and regional agencies, school districts, private schools, non-profit organizations. Recipients of the funds will front the cost of the project and will be reimbursed during the course of the project. For grant cycle information visit: <http://www.mdt.mt.gov/pubinvolve/saferoutes/>

- **Federal Lands Highway Program (FLHP)**

FLHP is a coordinated Federal program that includes several funding categories.

- *Public Lands Highways (PLH)*

- Discretionary*

- The PLH Discretionary Program provides funding for projects on highways that are within, adjacent to, or provide access to Federal public lands. As a discretionary program, the project selection authority rests with the Secretary of Transportation. However, this program has been earmarked by Congress under SAFETEA-LU. There are no matching fund requirements.

- Forest Highway*

- The Forest Highway Program provides funding to projects on routes that have been officially designated as Forest Highways. Projects are selected through a cooperative process involving FHWA, the US Forest Service and MDT. Projects are developed by FHWA's Western Federal Lands Office. There are no matching fund requirements.

- *Parkways and Park Roads*

Parkways and Park Roads funding is for National Park transportation planning activities and projects involving highways under the jurisdiction of the National Park Service. Projects are prioritized by the National Park Service and approved and developed by FHWA's Western Federal Lands Office. There are no matching fund requirements.

- *Indian Reservation Roads (IRR)*

IRR funding is eligible for multiple activities including transportation planning and projects on roads or highways designated as Indian Reservation Roads. Funds are distributed to Bureau of Indian Affairs (BIA) area offices in accordance with a Federal formula and are then distributed to projects on individual reservations. Projects are usually constructed by BIA forces. There are no matching fund requirements. Any public road within or leading to a reservation is eligible for the Indian Reservation Road funding. In practice, IRR funds are only rarely expended on state designated roads. MDT staff is aware of only two secondary routes that have received IRR funding support. These are S-418, Pryor Road, in the Crow Reservation; and S-234, Taylor Hill Road, that leads to the Rocky Boy's Reservation.

- *Refuge Roads*

Refuge Roads funding is eligible for maintenance and improvements of refuge roads, rest areas, and bicycle and pedestrian facilities. Allocations are based on a long-range transportation improvement program developed by the US Fish and Wildlife Service. There are no matching fund requirements.

- **Congressionally Directed Funds**

The categories listed below describing the programs for congressionally directed funds are specific to the current transportation funding bill (SAFETEA-LU). It should be recognized that there is no guarantee that these programs will be in place during the next Transportation Authorization Bill. The “Congressionally Directed Funds” programs are as follows:

- *High Priority Projects (HPP)*

High Priority Projects are specific projects named to receive Federal funding in SAFETEA-LU Section 1702. HPP funding authority is available until expended and projects named in this section are included in Montana’s percent share of the Federal highway funding program. The Montana Transportation Commission approves projects which are then let to contract through a competitive bidding process. In Montana, the Federal share payable for these projects is 86.58% Federal and 13.42% non-Federal. Montana receives 20% of the total project funding named in each year 2006 thru 2009. These funds are subject to the obligation limitation.

- *Transportation Improvements Projects*

Transportation Improvement Projects are specific projects named to receive Federal funding in SAFETEA-LU Section 1934. Transportation Improvement Project funding authority is available until expended and projects named in this section are not included in Montana’s percent share of the Federal highway funding program. The Montana Transportation Commission approves projects which are then let to contract through a competitive bidding process. In Montana, the Federal share payable on these projects is 86.58% Federal and 13.42% non-Federal. Montana receives a directed percent of the total project funding named in each year as follows: 2005 – 10%, 2006-20%, 2007-25%, 2008-25%, 2009-20%. These funds are subject to the obligation limitation.

- **Transit Capital & Operating Assistance Funding**

The MDT Transit Section provides federal and state funding to eligible recipients through federal and state programs. Federal funding is provided through the Section 5310 and Section 5311 transit programs and state funding is provided through the TransADE program. The new highway bill SAFETEA-LU brought new programs for transit “New Freedoms and Job Access Reverse Commute (JARC). All projects funded must be derived from a locally developed, coordinated public transit-human services transportation plan (a “coordinated plan”).

The coordinated plan must be developed through a process that includes representatives of public, private, and nonprofit transportation and human service providers and participation from the public. The following programs may be an eligible source of funding for Whitefish area transit needs.

- *Discretionary Grants (Section 5309)*

Provides capital assistance for fixed guide-way modernization, construction and extension of new fixed guide-way systems, bus and bus-related equipment and construction projects. Eligible applicants for these funds are state and local public bodies.

- *Capital Assistance for the Elderly and Persons with Disabilities (Section 5310)*

The Section 5310 Program provides capital assistance to providers that serve elderly persons and persons with disabilities. Eligible recipients must have a locally developed coordination plan. Federal funds provide 86% of the capital costs for purchase of buses, vans, wheelchair lifts, communication, and computer equipment. The remaining 14% is provided by the local recipient. Application for funding is made on an annual basis.

- *Financial Assistance for Rural General Public Providers (Section 5311)*

The purpose of the Section 5311 Program is to assist in the maintenance, development, improvement, and use of public transportation systems in rural areas (areas under 50,000 population). Eligible recipients are local public bodies, incorporated cities, towns, counties, private non-profit organizations, Indian Tribes, and operators of public transportation services. A locally developed coordinate plan is needed to receive funding assistance. Funding is available for operating and capital assistance. Federal funds pay for 86% of capital costs, 54% for operating costs, 80% for administrative costs, and 80% for maintenance costs. The remainder, or required match, (14% for capital, 46% for operating, 20% for administrative, and maintenance) is provided by the local recipient. Application for funding is made on an annual basis.

- *New Freedoms Program (5317)*

The purpose of the New Freedom Program is to provide improved public transportation services, and alternatives to public transportation, for people with disabilities, beyond those required by the Americans with Disabilities Act of 1990 (ADA). The program will provide additional tools to overcome barriers facing Americans with disabilities who want to participate fully in society. Funds may be used for capital expenses with Federal funds provided for up to 80 percent of the cost of the project, or operating expenses with Federal funds provided for up to 50 percent of the cost of the project. All projects funded must be derived from a locally developed, coordinated public transit-human services transportation plan (a “coordinated plan”).



- *Job Access Reverse Commute (JARC) (5316)*

The purpose of this grant program is to develop transportation services designed to transport welfare recipients and low income individuals to and from jobs and to develop transportation services for residents of urban centers and rural and suburban areas to suburban employment opportunities. Funds may be used for capital and operating expenses with Federal funds provided for up to 50 percent of the cost of the project.

### **10.3 STATE FUNDING SOURCES**

#### **○ State Funded Construction (SFC)**

##### *Allocations and Matching Requirements*

The State Funded Construction Program, which is funded entirely with state funds from the Highway State Special Revenue Account, provides funding for projects that are not eligible for Federal funds. This program is totally State funded, requiring no match.

##### *Eligibility and Planning Considerations*

This program funds projects to preserve the condition and extend the service life of highways. Eligibility requirements are that the highways be maintained by the State. MDT staff nominates the projects based on pavement preservation needs. The District's establish priorities and the Transportation Commission approves the program.

#### **○ TransADE**

The TransADE grant program offers operating assistance to eligible organizations providing transportation to the elderly and persons with disabilities.

##### *Allocations and Matching Requirements*

This is a state funding program within Montana statute. State funds pay 50 percent of the operating costs and the remaining 50 percent must come from the local recipient.

##### *Eligibility and Planning Considerations*

Eligible recipients of this funding are counties, incorporated cities and towns, transportation districts, or non-profit organizations. Applications are due to the MDT Transit Section by the first working day of February each year. To receive this funding the applicant is required by state law (MCA 7-14-112) to develop a strong, coordinated system in their community and/or service area.

### **10.4 LOCAL FUNDING SOURCES**

#### **○ State Fuel Tax – City and County**

Under 15-70-101, MCA, Montana assesses a tax of \$.27 per gallon on gasoline and diesel fuel used for transportation purposes. Each incorporated city and town receives a portion of the total tax funds allocated to cities and towns based on:



1. The ratio of the population within each city and town to the total population in all cities and towns in the State;
2. The ratio of the street mileage within each city and town to the total street mileage in all incorporated cities and towns in the State. The street mileage is exclusive of the Federal-Aid Interstate and Primary System.

Each county receives a percentage of the total tax funds allocated to counties based on:

1. The ratio of the rural population of each county to the total rural population in the State, excluding the population of all incorporated cities or towns within the county and State;
2. The ratio of the rural road mileage in each county to the total rural road mileage in the State, less the certified mileage of all cities or towns within the county and State; and
3. The ratio of the land area in each county to the total land area of the state.

All fuel tax funds allocated to the city and county governments must be used for the construction, reconstruction, maintenance, and repair of rural roads or city streets and alleys. The funds may also be used for the share that the city or county might otherwise expend for proportionate matching of Federal funds allocated for the construction of roads or streets on the Primary, Secondary, or Urban Systems. Priorities for these funds are established by the cities and counties receiving them.

For State Fiscal Year 2008, Whitefish's/Flathead County's combined allocation was approximately \$623,664 (Whitefish - \$150,467 and Flathead County - \$473,197) in state fuel tax funds. The amount varies annually, but the current level provides a reasonable base for projection throughout the planning period.

In addition, local governments generate revenue through a variety of other funding mechanisms. Typically, several local programs related to transportation exist for budgeting purposes and to disperse revenues. These programs are tailored to fulfill specific transportation functions or provide particular services.

The following text summarizes programs that relate to transportation financing through the city and county.

## **10.5 CITY OF WHITEFISH**

### **○ General Fund**

This fund provides revenue for most major city functions like the administration of local government, and the departments of public services, including police, fire, and parks. Revenues for the fund are generated through the general fund mill levy on real and personal property and motor vehicles; licenses and permits; state and federal intergovernmental revenues; intergovernmental fund transfers; and charges for services.

Minor transportation-related services are supported by this fund through the City of Whitefish Police Department. The police department is responsible for enforcing traffic laws on the street system.

- **Transportation Impact Fees**

This method of funding transportation improvements will be considered by the City of Whitefish based on projects and results contained in this Transportation Plan document. Although at times controversial, this exaction on private development can help to soften development's impact on the surrounding transportation system.

Impact Fees are increasingly being considered as a potential method for financing transportation infrastructure needs. Presently, the only communities utilizing impact fees are the city of Bozeman, the city of Missoula, and Gallatin County. Developer exactions and fees allow growth to pay for itself. The developers of new properties should be required to provide at least a portion of the added transportation system capacity necessitated by their development, or to make some cash contribution to the agency responsible for implementing the needed system improvements.

Establishment of an equitable fee structure would be required to assess developers based upon the level of impact to the transportation system expected from each project. Such a fee structure could be based upon the number of additional vehicle trips generated, or upon a fundamental measure such as square footage of floor space. Once the mechanism is in place, all new development would be reviewed by the local government and fees assessed accordingly.

- **Special Revenue Funds**

These funds are used to budget and distribute revenues that are legally restricted for a specific purpose. Several such funds that benefit the transportation system are discussed briefly in the following paragraphs.

- **Special Improvement District (SID) Revolving Fund**

This fund provides financing to satisfy bond payments for special improvement districts in need of additional funds. The city can establish street SID's with bond repayment to be made by the adjoining landowners receiving the benefit of the improvement. The city has provided labor and equipment for past projects through the General Fund, with an SID paying for materials.

- **Gas Tax Apportionment**

Revenues are generated through State gasoline taxes apportioned from the State of Montana. Transfers are made from this fund to the General Fund to reimburse expenditures for construction, reconstruction, repair and maintenance of streets. Half of the City's allocation is based upon population, and half is based on the miles of streets and alleys in the City. The City Gas Tax Fund received an allocation of approximately \$150,467 for state fiscal year 2008.

- **Tax Increment Financing (TIF)**

The funds generated from a new tax increment financing TIF district could be used to finance projects including street and parking improvements; tree planting; installation of new bike racks; trash containers and benches; and other streetscape beautification projects within the downtown area.

## **10.6 FLATHEAD COUNTY**

- **Road Fund**

The County Road Fund provides for the construction, maintenance, and repair of all county roads outside the corporate limits of cities and towns in Flathead County. Revenue for this fund comes from intergovernmental transfers (i.e., State gas tax apportionment and motor vehicle taxes), and a mill levy assessed against county residents living outside cities and towns. Flathead County's State fiscal year gas tax apportionment added approximately \$474,317 to the Road Fund.

County Road Fund monies are primarily used for maintenance with little allocated for new road construction. It should be noted that only a small percentage of the total miles on the county road system are located in the study area. Projects eligible for financing through this fund will be competing for available revenues on a county-wide basis.

- **Bridge Fund**

The Bridge Fund provides financing for engineering services, capital outlays, and necessary maintenance for bridges on all off-system and Secondary routes within the county. These monies are generated through intergovernmental fund transfers (i.e., vehicle licenses and fees), and a county-wide mill levy. There is a taxable limit of four mills for this fund.

- **Special Revenue Funds**

Special revenue funds may be used by the county to budget and distribute revenues legally restricted to a specific purpose. Several such funds that benefit the transportation system are discussed briefly in the following paragraphs.

- **Capital Improvements Fund**

This fund is used to finance major capital improvements to county infrastructure. Revenues are generated by loans from other county funds, and must be repaid within ten years. Major road construction projects are eligible for this type of financing.

- **Rural Improvement District (RID) Revolving Fund**

This fund is used to administer and distribute monies for specified RID projects. Revenue for this fund is generated primarily through a mill levy and through motor vehicle taxes and fees. A mill levy is assessed only when delinquent bond payments dictate such an action.

- **Special Bond Funds**

A fund of this type may be established by the county on an as-needed basis for a particularly expensive project. The voters must approve authorization for a special bond fund. The county is not currently using this mechanism.

## **10.7 PRIVATE FUNDING SOURCES AND ALTERNATIVES**

Private financing of highway improvements, in the form of right-of-way donations and cash contributions, has been successful for many years. In recent years, the private sector has recognized that better access and improved facilities can be profitable due to increases in land values and commercial development possibilities. Several forms of private financing for transportation improvements used in other parts of the United States are described in this section.

- **Development Financing**

The developer provides the land for a transportation project and in return, local government provides the capital, construction, and necessary traffic control. Such a financing measure can be made voluntary or mandatory for developers.

- **Cost Sharing**

The private sector pays some of the operating and capital costs for constructing transportation facilities required by development actions.

- **Transportation Corporations**

These private entities are non-profit, tax exempt organizations under the control of state or local government. They are created to stimulate private financing of highway improvements.

- **Road Districts**

These are areas created by a petition of affected landowners, which allow for the issuance of bonds for financing local transportation projects.

- **Private Donations**

The private donation of money, property, or services to mitigate identified development impacts is the most common type of private transportation funding. Private donations are very effective in areas where financial conditions do not permit a local government to implement a transportation improvement itself.

- **Private Ownership**

This method of financing is an arrangement where a private enterprise constructs and maintains a transportation facility, and the government agrees to pay for public use of the

facility. Payment for public use of the facility is often accomplished through leasing agreements (wherein the facility is rented from the owner), or through access fees whereby the owner is paid a specified sum depending upon the level of public use.

- **Privatization**

Privatization is either the temporary or long-term transfer of a public property or publicly owned rights belonging to a transportation agency to a private business. This transfer is made in return for a payment that can be applied toward construction or maintenance of transportation facilities.

- **General Obligation (G.O.) Bonds**

The sale of general obligation bonds could be used to finance a specific set of major highway improvements. A G.O. bond sale, subject to voter approval, would provide the financing initially required for major improvements to the transportation system. The advantage of this funding method is that when the bond is retired, the obligation of the taxpaying public is also retired. State statutes limiting the level of bonded indebtedness for cities and counties restrict the use of G.O. bonds. The present property tax situation in Montana, and recent adverse citizen responses to proposed tax increases by local government, would suggest that the public may not be receptive to the use of this funding alternative.

- **Tax Increment Financing (TIF)**

Increment financing has been used in many municipalities to generate revenue for public improvements projects. As improvements are made within the district, and as property values increase, the incremental increases in property tax revenue are earmarked for this fund. The fund is then used for improvements within the district. Expenditures of revenue generated by this method are subject to certain spending restrictions and must be spent within the district. Tax increment districts could be established to accomplish transportation improvements in other areas of the community where property values may be expected to increase.

- **Multi-Jurisdictional Service District**

This funding option was authorized in 1985 by the State Legislature. This procedure requires the establishment of a special district, somewhat like an SID or RSID, which has the flexibility to extend across city and county boundaries. Through this mechanism, an urban transportation district could be established to fund a specific highway improvement that crosses municipal boundaries (e.g., corporate limits, urban limits, or county line). This type of fund is structured similar to an SID with bonds backed by local government issued to cover the cost of a proposed improvement. Revenue to pay for the bonds would be raised through assessments against property owners in the service district.

- **Local Improvement District**

This funding option is only applicable to counties wishing to establish a local improvement district for road improvements. While similar to an RSID, this funding option has the

benefit of allowing counties to initiate a local improvement district through a more streamlined process than that associated with the development of an RSID.

## 10.8 SUMMARY OF CURRENT FINANCIAL STATUS

Current financial information was obtained from the MDT Urban Planning Section to get a picture of the projected revenue available for funding transportation projects in the Whitefish area over the next 20 years. This information is summarized in **Table 10-1**.

**Table 10-1**  
**Projected Funding Available for Transportation Projects**

Funding Source	Current Account Balance	Current Annual Allocation	Projected Annual Allocation	Revenue Projection 2020	Revenue Projection 2030
STP – Urban	\$773,006*	\$117,074	\$117,074**	\$2.3 M***	\$3.5 M***
CTEP – City	\$209,212*	\$23,759	\$23,759**	\$5.2 M***	\$7.6 M***
State Fuel Tax – City		\$150,467	\$150,467	\$2.0 M****	\$3.5 M****
Transportation Impact Fees		*****	*****	*****	*****
Total	\$982,218	\$291,300	\$291,300	\$9.5 M	\$14.6 M

Notes: Although TEA-21 only provides for Federal funding through FFY2003, 2020 and 2030 projections are based on continuance of current levels of funding unless otherwise noted. Estimated Federal fund allocations do not include amounts of any required local matching funds.

\* Unobligated Carryover Balance (9/2007) per MDT Urban Planning.

\*\* Allocations beyond TEA-21 (9/30/2003) are being estimated based on current allocation levels.

\*\*\* Year 2020 and 2030 estimates are based on the current carryover plus annual allocations equal to the current annual allocations. It is important to note that the projected funding estimates are based on the best information available at the time and that there is no guarantee that these funding sources will be available beyond TEA-21.

\*\*\*\* Revenues projections are based on estimates provided by MDT, City, and County staff. It is understood that these estimated funds may not be available for the transportation improvements included in this plan.

\*\*\*\*\* The annual allocation for transportation impact fees is unknown at this time.